BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca Issue: 03-44 October 31, 2003

- **Lumber production slumps in August**
- **Aquaculture production up 11.8% in 2002**
- **Investment earnings drop, but British Columbians are giving more to charities**

The Economy

- **BC lumber production slumped in August (-13.9%, compared to the same month last year), as the industry dealt with a number of challenges, including the softwood lumber dispute and the ravaging effects of forest fires in the Interior.** Coastal lumber production was down 22.5%, while Interior mills produced 11.5% less lumber than they did a year earlier. Overall, Canadian production dropped 10.6% in August, as sawmills in all provinces except Saskatchewan (+18.2%) cut back their output.

Data Source: SC, Catalogue 35-003-XIB

Industrial Diversity of Canadian Cities

- **The mix of industries in large Canadian cities is not as diverse as it used to be, but medium and small cities have more broadly-based economies than they did in 1992.** An industrial diversity index, which is based on the number and size of industries found in Canadian cities, suggests that there has been a structural shift in urban economies during the last decade.

Although Montreal has moved ahead of Toronto, and now has the most diversified urban economy of any Canadian city, its diversification index is lower (99.1) than Toronto's was in 1992 (100.0). Toronto's index now stands at 92.0. Winnipeg (88.1) and Vancouver (87.8) also have highly diversified economies, but Vancouver's ranking has dropped relative to other cities. It was third among the eight large urban centres in Canada in 1992. Kitimat (10.9) was the city with the least diversified economy in the country in 2002.

Data Source: SC, Catalogue 11-624-MIE No.3

Aquaculture

- **British Columbia remained the country's biggest producer of aquaculture products in 2002, with total finfish and shellfish production valued at $322 million (11.8% more than in 2001).** This was just over half the national total ($639 million, +6.9%). New Brunswick ($203 million, +8.1%) is also a major producer of farmed finfish products. Salmon farming dominates aquaculture activities in both provinces, accounting for at least 95% of total production. PEI ($29 million), Newfoundland ($20 million), Nova Scotia ($20 million) and Ontario ($18 million) also have established aquaculture industries, as do Quebec ($5 million) and Saskatchewan ($5 million). PEI is the biggest producer of farmed shellfish (mainly mussels) in Canada, while finfish farming dominates in the other provinces.

Data Source: SC, Catalogue 23-222-XIE

Investment Income

- **The number of British Columbians reporting investment income on their tax returns fell sharply (-6.5%) between 2001 and 2002.** This follows a national trend that reflects the effects of interest rates that are at near-historic lows, and sharply curtailed returns from investments in the stock market. In British Columbia, just over a million taxfilers reported investment income, totalling $4.4 billion in 2002, 10.0% less than in the previous year.

Although the province has the lowest savings rate (savings as a percent of disposable income) in the country, the number of taxfilers who reported investment income was higher (37%) than the Canadian average (34%). Saskatchewan, Manitoba, and Ontario, where 36% of taxfilers reported that they had investments, were the only provinces with similarly high rates. The median investment income reported by Canadian taxfilers was $500.

Data Source: SC, The Daily

Charitable Donors

- **British Columbians reported $791 million in charitable donations on their 2002 income tax returns, 2.9% more than in the previous year.** One in four (23%) BC taxfilers indicated that they had given to a charity in 2002. The median dona-

Did you know...

British Columbians are less sceptical about ghosts than most other Canadians-except our neighbours to the east. Thirty percent of BC residents, and 32% of Albertans, believe in ghosts (the national average is 25%). Among BC's more famous apparitions is a ghost nicknamed Lloyd, who is said to haunt the Vernon Town Cinema.

tion–the amount exceeded by half of all donors–was $260. Nationally, Canadians dug into their pockets to the tune of $5.8 billion to support registered charities. Total donations were up 6.0% from 2001, boosted by big increases in giving by residents of Manitoba (+9.3%), Alberta (+7.9%), Ontario (+7.0%) and Newfoundland (+6.4%). Taxfilers in the Prairies, Ontario and PEI were the most likely to donate to charities, with donors representing from 25% to 29% of the population.

The provinces with the highest unemployment rates continued to be those where people gave the most. PEI ($330) and Newfoundland ($310) led the country in terms of the median charitable donation. The median in Quebec ($110) was the lowest in the country, about half the national level ($210). *Data Source: Statistics Canada*

The Nation

- **Canada's economy contracted sharply in August, as economic activity in Ontario ground to a halt following an extended power blackout.** GDP plunged 0.7% (seasonally adjusted) in August, posting the largest one-month drop since September 2001, when terrorist attacks in the US pushed the economy into a decline (-0.6%). Manufacturing (-0.6%), utilities (-0.7%) and mining, oil & gas extraction (-1.1%) were particularly hard-hit, as factories shut down and consumption was reduced during the outage and the subsequent period before power was fully restored. Output from agriculture, forestry and fishing fell back (-0.5%), but construction activity remained robust (+0.6%). Overall, the goods sector shrank 0.5%. Service industries were even more hard-hit (-0.8%), with the sharpest decline (-3.4%) seen in wholesale trade. Public administration (-2.7%) and arts, entertainment and recreation (-2.1%) also posted large monthly declines. Accommodation and food (+0.5%) was the only industry to escape the general downturn in the service sector. All other industries were either flat or posted modest declines.

  Data Source: Statistics Canada

- **Manufacturers' prices were 2.6% lower this September than in the same month last year.** The drop in the overall Industry Product Price Index (IPPI) was largely due to the appreciation of the Canadian dollar relative to the US greenback. Excluding exchange rate effects, the IPPI would have risen 1.3% in September. Prices for motor vehicles and transport equipment (-9.4%), pulp and paper (-5.2%), electrical and communication (-6.9%) and primary metal (-2.5%) products were all substantially lower. However, BC softwood lumber prices, which have been gaining strength in recent months, were up 6.0%, bringing prices back up to levels not seen in more than a year. *Data Source: Statistics Canada*

The World

- **The US economy surged ahead in the third quarter, increasing at an annual rate of 7.2% (or +1.8%, seasonally adjusted, from the second-quarter level).** The improvement was the strongest since early 1984, and more than double the annualized expansion (+3.3%) in the second quarter, signalling that the US economy is picking up steam after a long period of slower growth. Robust consumer spending and an improved trade balance both contributed to the strength in the US economy. Residential investment posted its biggest increase in seven years, but spending on non-residential structures remained weak. Government spending eased off from its rapid second-quarter pace. Defence spending was unchanged.

  Data source: US Bureau of Economic Analysis

Oops!

Last week's issue of highlights contained an incorrect statement. The second paragraph of the bullet on prices stated that the September increase in tuition fees was the highest on record. In fact, tuition fees increased more in the early 1980s.

Additionally, it should be noted that BC does not have 11 universities. The bullet on research funding in universities was based on information from a Statistics Canada report, which used that term to refer to universities, research hospitals and similar post-secondary institutions.

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Infoline Report

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Lean and Leaner

Too deep, or not deep enough?

The recent downsizing of BC's provincial government has been a contentious issue, as some have argued that the cuts were too deep and were too quickly implemented, with inadequate provision made for ensuring the continued smooth delivery of public services to British Columbians. On the other side of the debate were those who maintained that the civil service in BC had become bloated, and that rationalization was necessary both to improve the efficiency of service delivery, and to help restore the province onto a sound financial footing.

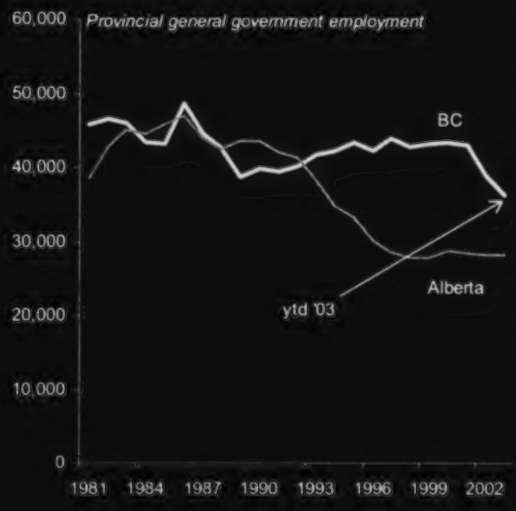
The extent to which public sector employment in the province has been affected by the restructuring should be of interest to those on both sides of the debate. Ensuring that there is consistency in the level of public services available to Canadians in all regions has long been a policy goal of the federal government. (This is one of the reasons for the system of equalization payments, of which BC has recently become a beneficiary). Under the constitution, the responsibility for providing some of these services, such as health care and education, rests with the provinces. Since the provision of these services is highly dependent on labour inputs, a comparison of public sector employment trends in BC vis-à-vis other provinces is one way to assess the likely effect of the downsizing.

Previous issues of this publication have examined trends in the size of the province's public sector, but have concentrated more on the structure of BC's public sector rather than how the province stacks up when compared with the rest of Canada. In this article, we take another look at public sector employment, this time focussing on how the situation in BC compares to that in Alberta and Ontario.

Fewer provincial government jobs

The latest data released by Statistics Canada[1] show that provincial general government employment in BC has declined substantially during the last two years. The number of people working at ministries and autonomous agencies or organizations controlled by the provincial government is currently at its lowest level in more than two decades.

Job cuts in BC's civil service have not been as deep as in Alberta during the 1990s



[1] Employment figures are from the Public Institutions Division of Statistics Canada. Definitions of terms used in this article can be found in the topic box on page 2.

About the public sector

Data on public sector employment can seem confusing, since the definition of government activities varies from jurisdiction to jurisdiction. The public sector definition used by Statistics Canada, and in this analysis, is based on two concepts: control and funding. Whether or not they are explicitly part of a government ministry, agencies or organizations that receive most of their funding from, or are controlled by, government are considered to be part of the public sector. All three levels of government (federal, provincial and local) are included in the public sector.

The public sector is split into three branches: general government (ministries or departments, plus agencies and organizations that are either controlled or funded by government), institutions (hospitals, schools, universities and so on) and crown corporations, which operate on a for-profit basis. General government encompasses many activities, ranging from public administration (the day-to-day operations of government) to providing insurance services or operating museums. The types of services provided by government vary from province to province.

Bucking the trend in the 1990s

The 1990s were a decade of change in the structure of the public sector, as federal, provincial and local governments were forced to rethink the way they functioned. Canada's difficult fiscal situation was cause for concern in some quarters (notably the IMF), and growing public unease about the deficit and debt situation put pressure on governments to tighten their belts. The federal government responded, in part, by trimming down the federal civil service and the military. Provincial governments, facing similar pressures, followed suit. Both Ontario and Alberta pared down the size of their workforce substantially during the 1990s. The job cuts in Alberta were particularly deep, mainly because the province started out with a large civil service, relative to its population. In the early 1980s, the number of provincial general government employees in Alberta was about the same as in BC, despite the fact that Alberta's population was only three-quarters the size of BC's. Alberta's civil service had expanded, riding on the coattails of rapid growth in oil and gas revenues, but the expansion came to a halt following a downturn in the energy sector in the mid-1980s.

British Columbia did not participate in the general scaling back of the civil service that occurred in most other provinces during the 1990s. Instead, the number of people working in government ministries and agencies grew with the population. Even with the recent cuts, employment in the BC provincial general government is currently only slightly lower (-380) than in 1991: a 12-year decline that is smaller in both absolute and percentage terms than in any other province.

By comparison, Alberta cut back its provincial general government workforce by a third (-13,925 people) while Ontario eliminated 24,670 jobs (-23%) during the 1990s. These two provinces together accounted for the bulk of the 44,850 provincial general government jobs that disappeared between 1991 and 2002. During this period, Quebec was the only province that took on more workers (+4,260 people, a 5% increase).

It is worth noting that only half of the people working in the BC provincial general government are engaged in public administration. The rest of them are employed by agencies and organizations that are controlled by the provincial government. These include entities such as ICBC and the Workers' Compensation Board, as well as agencies that have been set up to provide services such as highway and building maintenance and legal aid, or to promote industries such as tourism. BC is not the only province to use this method of delivering services, but it appears to rely on it to a greater extent than some other regions do. Nationally, nearly two-thirds (65%) of provincial general government workers are directly employed by government ministries or departments.

Public Sector Employment Rates

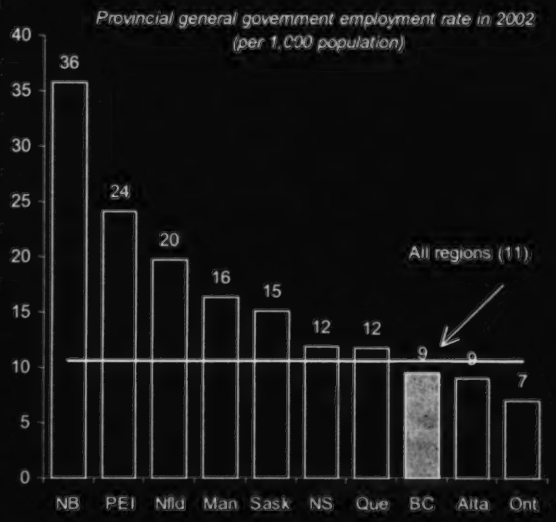
The Canadian population is largely concentrated in four provinces: Ontario (with 38% of the population), Quebec (23%), BC (13%) and Alberta (10%). By virtue of their size, these provinces account for the bulk of public sector employment in Canada so it is difficult to make meaningful comparisons based on employment figures alone.

Public sector employment rates are calculated as the ratio of total employment to population (in 1,000s). In addition to normalizing the data based on population size, the employment rate is an indicator of how efficiently services are being delivered, as well as preferences in work arrangements. (For example, if part-time employment is more common in some regions of the country than in others, the public sector employment rate would be higher since employment data do not account for hours worked). Differences in employment rates also highlight variations in the structure of government (e.g., New Brunswick schools) and the extent to which governments are involved in providing services that may be produced by private sector establishments in other regions. Finally, it should be noted that bigger provinces can take advantage of economies of scale in providing some types of services, so it is reasonable to expect employment rates to be lower in the most populous regions.

BC's provincial government is lean, but not the leanest in the country

Public sector employment data are usually normalized by population in order to facilitate comparisons among regions and over time. Using this measure, the size of BC's provincial government workforce is similar to that in other large provinces. Last year, there were 9 provincial general government workers in BC for every 1,000 people living in the province, about the same number as in Alberta (9). Ontario (7) was the only region with a lower employment rate. The national average was 11, and rates in the rest of the country ranged from 12 in Quebec to 36 in New Brunswick[2].

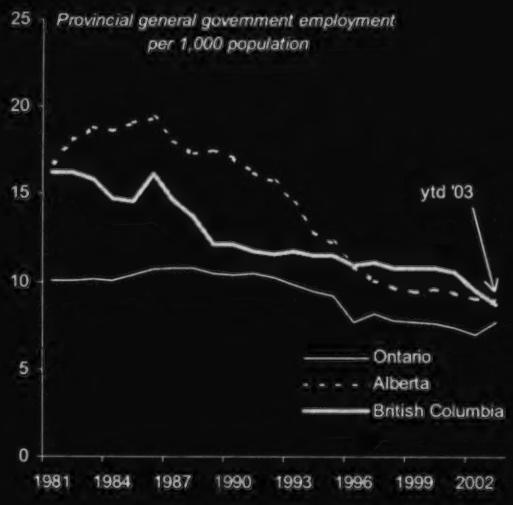
The general government employment rate in BC is below the national average, and comparable to that in other large provinces



[2] New Brunswick's employment rate is unusually high because schools are part of the provincial government, rather than being under municipal control, as is the case in the rest of the country.

British Columbia's relatively low employment rate is a matter of long standing: the province has traditionally had a fairly lean civil service. With the recent cutbacks, the provincial government employment rate has been brought into line with Alberta's trimmed-down public service. It remains larger than Ontario's.

The current restructuring in the BC government mirrors what happened in Alberta and Ontario during the 1990s



Bucking the trend in health care and education

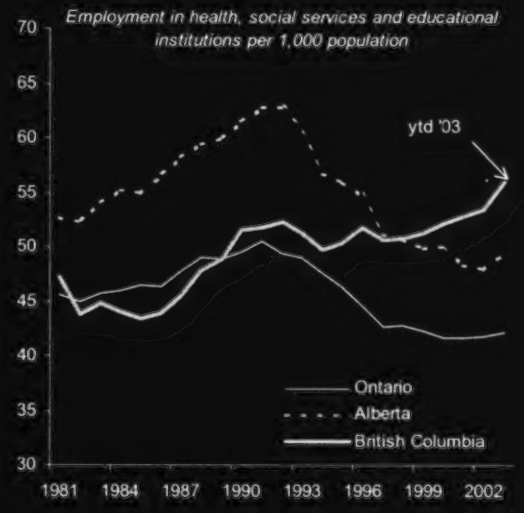
General government is only one of three important functions of the provincial government. It also provides public health care and education services. In most provinces, responsibility for primary and secondary education is given to municipal governments, while hospitals and post-secondary education are the exclusive concern of the provincial government.

Overall, employment in BC's public sector institutions (hospitals, schools and post-secondary institutions) has been increasing faster than the population, and continues to do so. This has not been the case in either Alberta or Ontario, where public sector employment rates in institutions have been declining. This difference is observable for all three types of institutions.

BC's public sector employment rate in health and social services declined during the early 1990s, but since then has been on a slight upward trend. As was the case in the general government sector, the employment rate fell substantially in Alberta and less drastically in Ontario.

Employment at post-secondary institutions has grown faster than the population in BC, partly because the University of Northern BC was opened during the 1990s and partly due to expanding enrolment. However, these factors alone are not enough to explain the job growth that occurred in BC's post-secondary sector during a period when universities and colleges in other parts of the country cut back their workforce substantially. The difference is just as marked when post-secondary employment figures are compared to the population aged 19 to 24 in these provinces.

While Alberta and Ontario have seen employment rates in health care and education decline, the number of jobs in BC's public sector institutions continue to expand



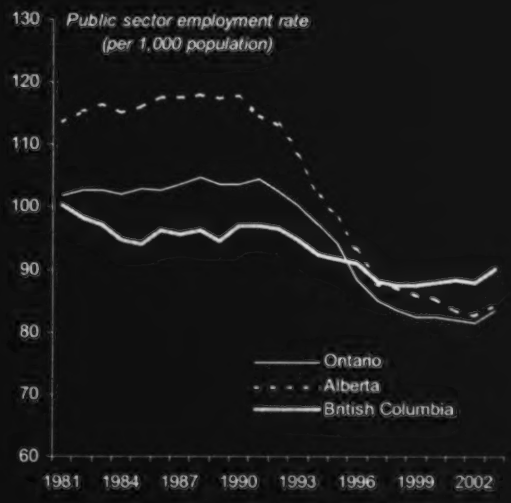
School boards, the dominant employer in the local public sector, also saw employment grow faster than the general, and the school age, population in BC, in sharp contrast to Alberta and Ontario, where there the employment rate in schools has been declining.

Government support for health care and education in BC appears to have insulated these sectors from the downsizing that has occurred in the two "have" provinces. Other factors, such as a greater reliance on part-time work, may also have played a role in this province, but it is unlikely that they explain all of the difference.

The public sector as a whole: how does BC stack up?

Looking at the public sector as a whole (including all three levels of government), BC has the third lowest employment rate in the country, after Alberta and Ontario. However, the public sector is not as lean, comparatively, as it used to be. In 1981, the public sector employment rate in BC was the lowest in the country. Following a decade during which BC stayed the course while changes were implemented in most other provinces, that position has been eroded. Both Alberta and Ontario now have a leaner public sector workforce than in BC.

BC's public sector employment rate is rising, pushed up by the health & education sectors



However, most of the upward pressure on BC's public sector employment rate has come from health care and education, rather than general government activities. The provincial government will likely face growing pressure on its wage bill as long as employment in health care and education continues to expand more rapidly than the population.

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BC at a glance . . .

POPULATION (thousands)	Jul 1/03	% change on one year ago
BC	4,146.6	0.8
Canada	31,629.7	0.9
GDP and INCOME		
(BC - at market prices)	2002 Prelim.	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	134,365	2.7
GDP *($ 1997 millions)*	126,141	1.8
GDP *($ 1997 per Capita)*	30,459	0.8
Personal Disposable Income *($ 1997 per Capita)*	19,445	-0.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Aug	2,793	1.6
Merchandise Exports - Aug	2,515	-3.3
Retail Sales - Aug	3,480	1.6
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Sep '03	% change
BC	121.2	2.6
Canada	122.7	3.3
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Sep '03	prev. month
Labour Force - BC	2,219	0.1
Employed - BC	2,018	-0.3
Unemployed - BC	201	4.0
		Aug '03
Unemployment Rate - BC *(percent)*	9.1	8.7
Unemployment Rate - Canada *(percent)*	8.0	8.0
INTEREST RATES (percent)	Oct 29/03	Oct 30/02
Prime Business Rate	4.50	4.50
Conventional Mortgages - 1 year	4.55	5.30
- 5 year	6.40	7.00
US/CANADA EXCHANGE RATE	Oct 29/03	Oct 30/02
(avg. noon spot rate) Cdn $	1.3097	1.5676
US $ *(reciprocal of the closing rate)*	0.7624	0.6385
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Sep '03	one year ago
BC	686.99	2.7
Canada	669.59	2.4

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Released this week by BC STATS

- Current Statistics, October 2003

Next week

- Business Indicators, October 2003

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